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PARAMOUNT HOME ENTERTAINMENT INC.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
(Richmond Division)**

In re

CIRCUIT CITY STORES, INC., *et al.*,

Debtors.¹

Case No.: 08-35653-KRH
(Jointly Administered)

Chapter 11

**RESPONSE OF PARAMOUNT HOME ENTERTAINMENT INC.
TO THE LIST OF PROPOSED MEDIATORS FILED BY
THE CIRCUIT CITY STORES, INC. LIQUIDATING TRUST**

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSSstuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512).

Paramount Home Entertainment Inc. (“Paramount”), creditor and holder of both administrative expense claims and a general unsecured claim in the cases of the above-captioned reorganized debtors and debtors in possession (collectively, the “Reorganized Debtors”), hereby submits its response to the *List of Proposed Mediators* filed on November 2, 2010 [Docket No. 8887] by the Circuit City Stores, Inc. Liquidating Trust (the “Liquidating Trust”) and requests that the Court grant the relief requested herein.

I. **RESPONSE**

As set forth in the *List of Proposed Mediators*, the mediators proposed relate to the *Motion For An Order Establishing Procedures For Avoidance Action Adversary Proceedings* [Docket No. 8789] (the “Avoidance Action Procedures Motion”) filed by the now Reorganized Debtors on October 21, 2010. Significantly, in the notice of the Avoidance Action Procedures Motion, the Reorganized Debtors set November 1, 2010 as the deadline by which affected parties must submit their responses and scheduled the Avoidance Action Procedures Motion for hearing on November 4, 2010. *See* Docket No. 8790. Though troubled by some of the procedures proposed in the Avoidance Action Procedures Motion, including the fact that it would be expected to pay half the cost of mandatory mediation, because Paramount believes that mediation will likely be a universally beneficial and cost-effective means of resolving any potential avoidance actions in which it may ultimately become involved and under the assumption that such mediation would be undertaken in a fair manner, it elected not to object to the Avoidance Action Procedures Motion.

One day after the deadline to object passed, Paramount was disappointed to see that in the *List of Proposed Mediators*, not a single west coast mediator has been

proposed. In fact, it appears that the mediators listed hold offices in only Virginia, Maryland, New Jersey and Delaware. Paramount was reasonably surprised at this list given that the Reorganized Debtors did a significant amount of business throughout the country and on the west coast in particular and because many of the Reorganized Debtors' creditors, who are in turn likely potential parties to avoidance actions, are headquartered on the west coast. It cannot be the position of either the Reorganized Debtors or the Liquidating Trust that for the 500-600 avoidance actions they plan to initiate and send to mediation, it will be fair to the parties involved to hold all of these mediations on the east coast. The result of this geographical choice would be to impose both travel and time costs on not just lawyers from the west coast but also clients who must be present for the mediations to have a chance of success. Notably, the alternative of mediating via telephone or having clients, by way of example, "on call" would substantially reduce the chance of the mediations succeeding.

Given that the procedures, to which Paramount cannot now timely object, if approved, will require Paramount to pay 50% of the mediation costs it would incur in any potential avoidance action and that Paramount (and all other west coast creditors) will now be expected to incur even greater expense and expend additional time in traveling to the east coast for this potential mediation, this proposed list and the proposed procedures are, when taken together, patently unfair.

II. **CONCLUSION**

Paramount requests that this Court require the Liquidating Trust to revise the *List of Proposed Mediators* to include mediators on the west coast or, in the alternative, to enter an order denying the Avoidance Action Procedures Motion to the extent it requires the parties to the mediations to split the cost.

Respectfully submitted,

DATED: November 2, 2010

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CERTIFICATE OF SERVICE

I, Korin A. Elliott, hereby certify that a true and correct copy of the foregoing *Response of Paramount Home Entertainment Inc. to the List of Proposed Mediators Filed by the Circuit City Stores, Inc. Liquidating Trust* will be served upon the parties listed below via first class mail on the 3rd day of November, 2010.

/s/ Korin A. Elliott

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